

Compliance, Risk & Cybersecurity

Market Monitor

Market Overview

Sector Spotlight

Public Market Performance

M&A Activity

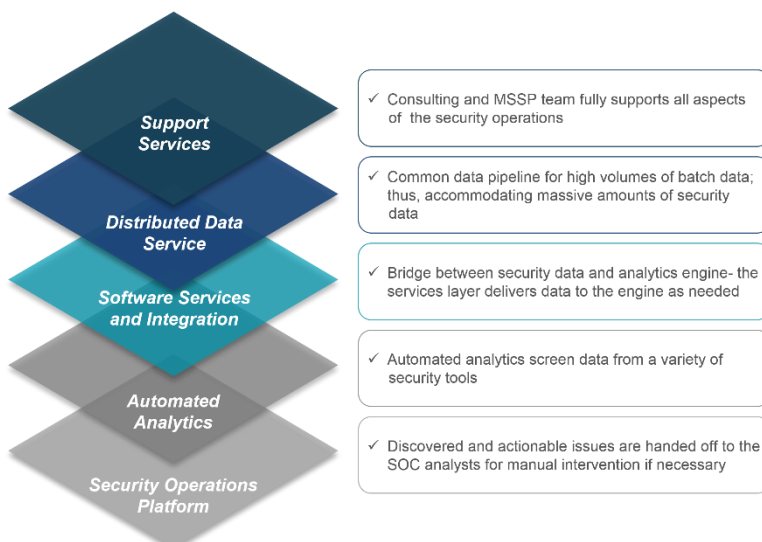
MSSPs: The Defenders of the Cyber Arena

"In war, the way is to avoid what is strong, and strike at what is weak."

- Sun Tzu, *The Art of War*

Historians of warfare have long noted that great generals, when outnumbered, often find success in concentrating their forces against the weakest points in an opponent's defense. The need to spread superior forces across a wide territory provides a localized advantage to the aggressor, especially when the defenders have no way to discern the direction of the attack. This insight, applied to the cyber arena, has yielded an awareness that the multiplication of endpoints, the integration of open-source code and the sheer volume of data created each second, have all increased the potential "attack surface" for defenders – and the defenders need reinforcements.

In what was a record year for cybersecurity M&A, Managed Security Services Providers (MSSPs) pulled ahead in the 2021 race to reach scale, maintain talent and upgrade tools. In fact, the managed security services market in North America alone was valued at \$27.7B in 2020 and is projected to hit \$64.3B by 2026, representing a 15.2% CAGR. MSSP Alert tracked over 35 deals in the MSSP/MDR space in 2021, capped by the December 2021 merger between Herjavec Group and Fishtech Group, backed by Apax Partners. The transaction shed light on the critical role MSSPs play in our digitally susceptible world. The combined firms now form a powerhouse with over 600 employees, six Security Operation Centers (SOCs), and Fishtech's MDR (Managed Detection & Response) technology, helping amplify the human capital manning the battlements.



MSSPs provide the crucial, human capital-intensive services enterprises seek to enhance their cybersecurity and IT services protections while facing a still-growing cybersecurity skills gap. This gap is becoming problematic for MSSPs looking to keep up with their clients' needs, and acquirers have taken notice. We are now seeing investors and strategic acquirers place a premium on targets that utilize proprietary technology to offset this talent shortage.

Continued on Page 2.

Source: Mordor Intelligence, MSSP Alert, Pitchbook

Sector Leadership



John Rakowski

Managing Director

[Email John](#)

+1 (703) 672-3106




Jim McCabe

Managing Director

[Email Jim](#)

+1 (703) 672-3112



Sector Spotlight: The Rise of ESG

Sphere of Reputational Risk Has Expanded Due to Focus on ESG

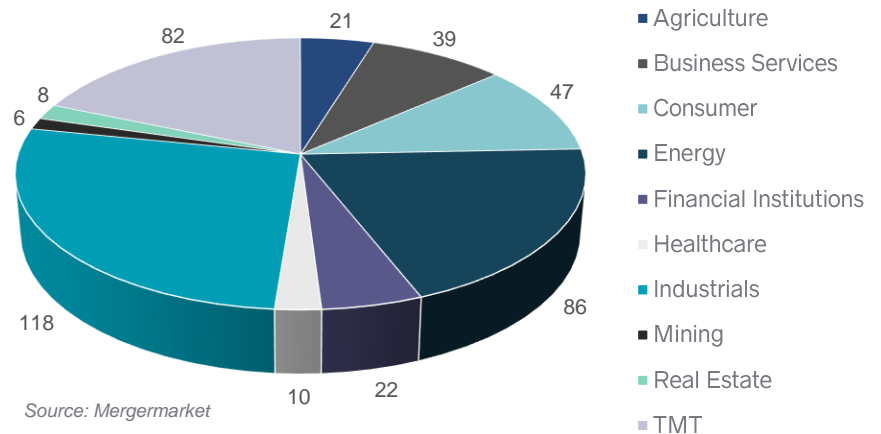
Business leaders are familiar with a fair number of acronyms: EBITDA, CAGR, BCM, CSR, GRC. Yet, one acronym is becoming increasingly important in the alphabet soup of a decision maker's day-to-day: ESG. At its core, Environmental, Social and Governance is an evolving framework for stakeholders to assess, implement, measure and report how a company operates in its quest for profits. When integrated into a company's strategy, ESG redefines how business is conducted to achieve long-term financial stability and value creation.

For decades, businesses have been laser focused on maximizing short-term profitability.

This was accomplished in large part by managing by the numbers (MBTN). MBTN is a commonsense approach to understanding a company's financial performance, whereby company leadership measures, monitors and oversees key performance indicators (KPIs) to achieve a desired result. Over the last decade, we have seen a not-so-subtle shift in the market, whereby growth was sought after and rewarded handsomely, often at the expense of profitability. During this period, traditional business models were challenged (e.g. Uber and WeWork) and disruption was rewarded (e.g. crypto and autonomous vehicles), resulting in the modern-day unicorn. Today, the market is shifting yet again. Stakeholders and shareholders alike are expecting more from companies than ever before. It is no longer enough to simply drive growth or maximize profits. Maximizing value responsibly is becoming the requirement. That is where disciplines such as Corporate Social Responsibility (CSR), sustainability and ESG converge. Where CSR and sustainability are a means to responsible profits, ESG incorporates goals, metrics and insights on top of CSR and sustainability policies. ESG is emerging as a powerful practice within risk management, and while still nascent, its impact, nuance and reach cannot be underestimated. In 2021, Mergermarket tracked 439 ESG-related transactions across North America (see above chart).

We look forward to sharing more insights on ESG and reputational risk as the year progresses.

Number of North American ESG Deals by Sector (2021)



Continued – MSSPs: The Defenders of the Cyber Arena

At ClearSight, we witnessed the power of this convergence with our client, Project Wolfhound. A unique and valuable feature of this innovative, tech-enabled MSSP was the stickiness created by its proprietary Security + Operations (SecOps) platform. By integrating the data from disparate tools and automating workflows for SOC analysts, Wolfhound created a scalable platform that created exponential value for their clients and equity partners alike. As we move to 2022, we expect the multiplicity of point solutions to become more commoditized, and a further premium to be placed on making the scarce cybersecurity talent more effective and efficient.

So how did the great, outnumbered generals eventually meet defeat? In the words, again, of Sun-Tzu: "The line between disorder and order lies in logistics." It's not just about having the tools; it is also about getting the defenders to the right place on the wall. The race to scale MSSP platforms will depend not simply on who has the most powerful technological tools, but who has the knowledge and insight to deploy them in the right places at the right times to counter the inevitable attack.

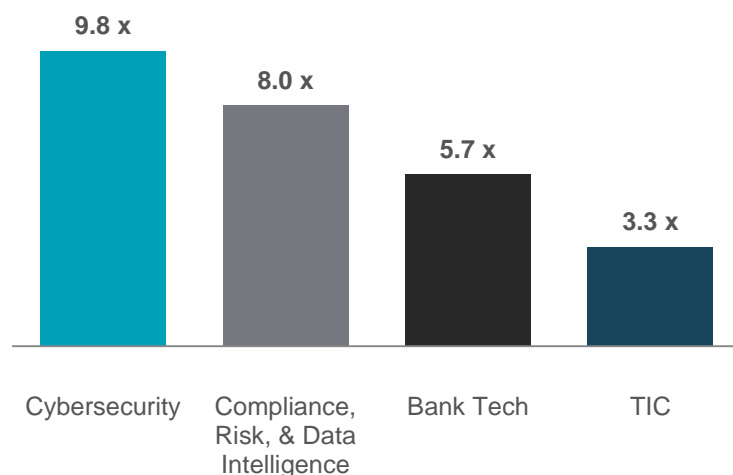
Source: Mergermarket, Morder Intelligence, MSSP Alert, Pitchbook

Public Market Performance

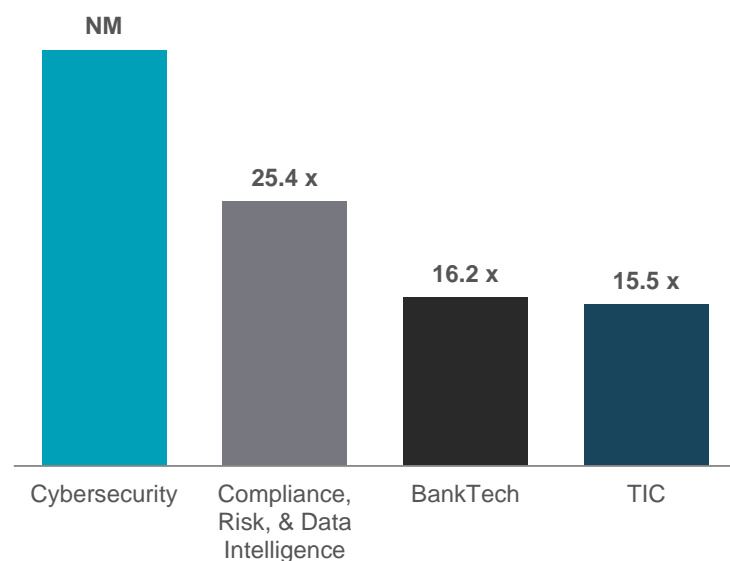
2021E EV / Revenue



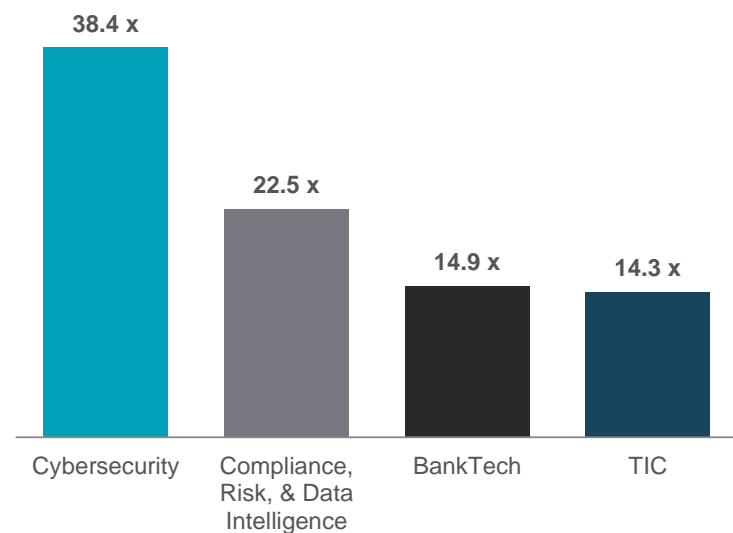
2022P EV / Revenue



2021E EV / EBITDA



2022P EV / EBITDA

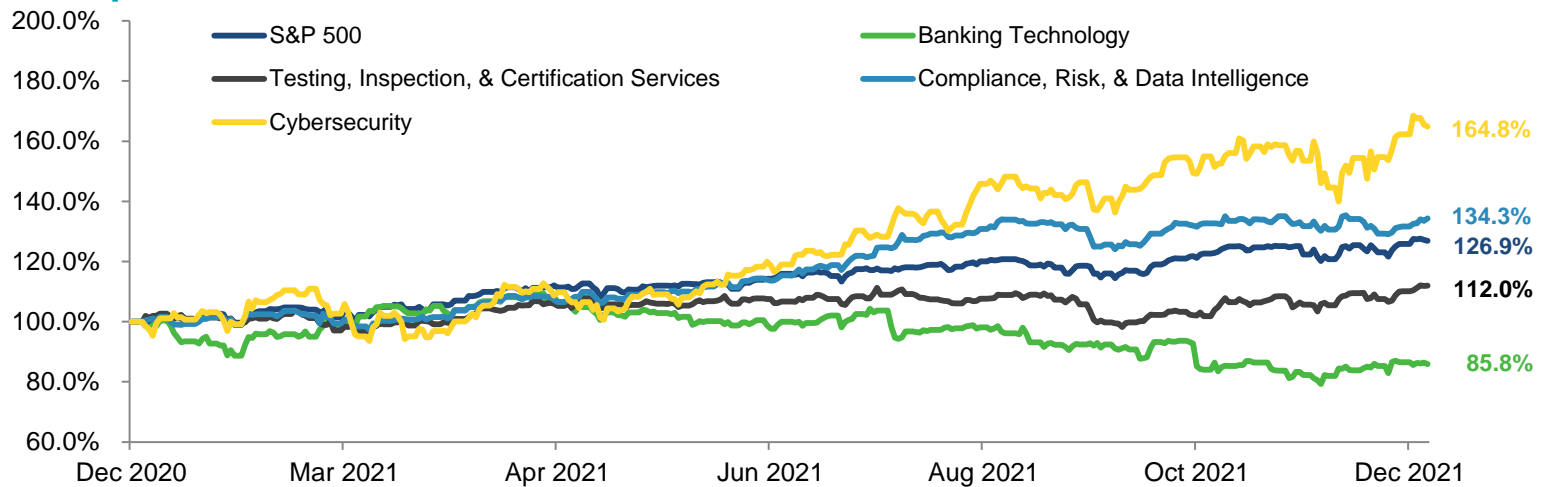


Source: Capital IQ, market data as of 31-Dec-2021

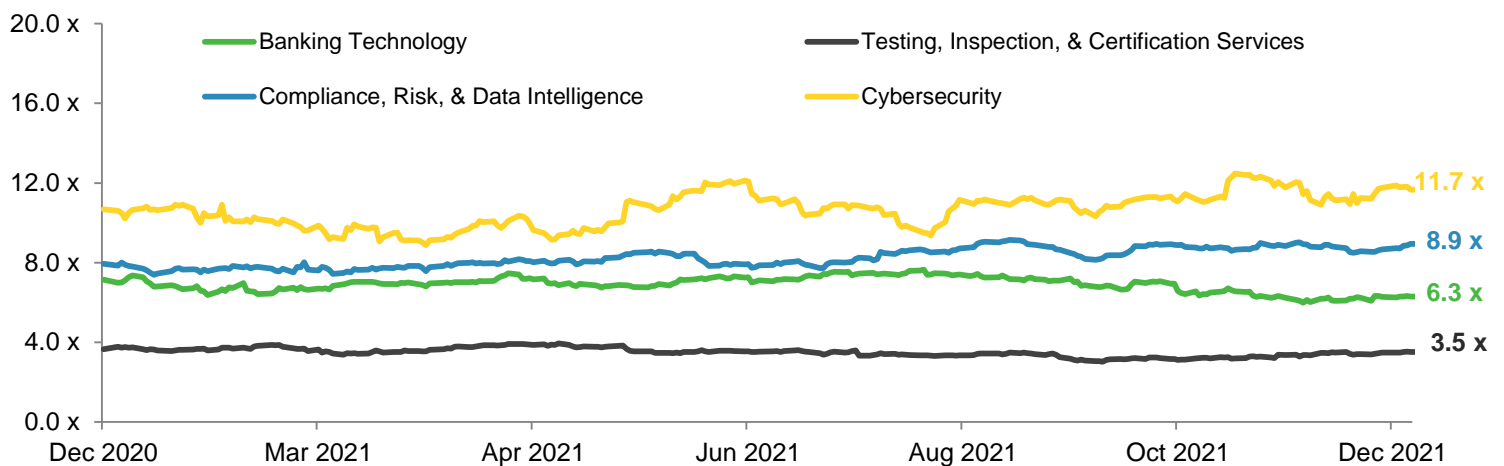
Due to the presence of outliers, Cybersecurity and Compliance, Risk, and Data Intelligence use median values while BankTech and TIC use mean values

Public Market Performance

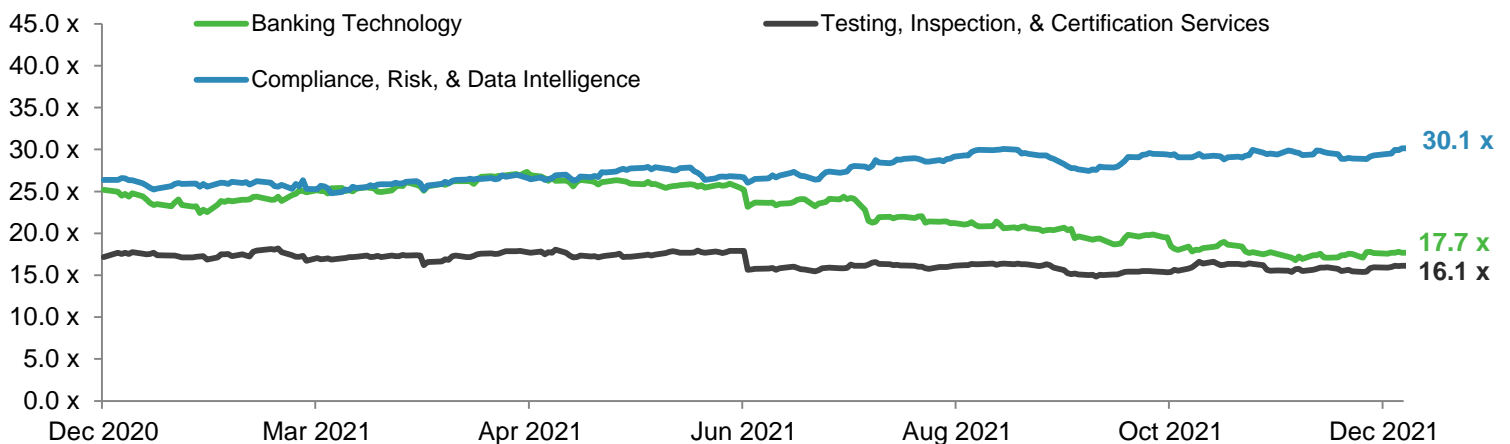
Compliance Market Indices Performance – 1 Year



LTM EV / Revenue Multiple Trend – 3 Years



LTM EV / EBITDA Multiple Trend – 3 Years



Source: Public filings as of 31-Dec-2021, Capital IQ

Public Market Performance

Banking Technology Index

	Closing Price 31-Dec-21	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2021E Revenue Growth	2021E EBITDA Margin
					2021E	2022P	2021E	2022P		
Banking Technology										
Fidelity	\$109.15	70.0%	\$67,214	\$85,792	6.2x	5.7x	13.9x	12.7x	10.7%	44.3%
Fiserv	103.79	81.5%	69,547	90,591	5.6	5.2	14.2	12.9	8.1%	39.5%
Jack Henry & Associate	166.99	92.8%	12,366	12,398	6.7	6.3	20.5	19.0	6.7%	33.0%
High		92.8%	\$69,547	\$90,591	6.7x	6.3x	20.5x	19.0x	10.7%	44.3%
Median		81.5%	67,214	85,792	6.2	5.7	14.2	12.9	8.1%	39.5%
Mean		81.4%	49,709	62,927	6.2	5.7	16.2	14.9	8.5%	38.9%
Low		70.0%	12,366	12,398	5.6	5.2	13.9	12.7	6.7%	33.0%

Compliance, Risk, & Data Intelligence Index

	Closing Price 31-Dec-21	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2021E Revenue Growth	2021E EBITDA Margin
					2021E	2022P	2021E	2022P		
Compliance, Risk, & Data Intelligence										
Avalara	\$129.11	67.4%	\$11,836	\$11,320	16.4x	13.4x	NM	NM	40.7%	4.6%
GB Group	10.00	74.2%	2,551	2,502	8.0	6.6	31.2	26.0	8.1%	25.7%
RELX PLC	32.52	98.0%	62,729	73,553	7.4	6.8	20.2	18.0	1.2%	36.8%
Thomson Reuters	119.53	96.6%	58,800	60,974	9.7	9.2	30.6	26.6	5.5%	31.6%
Wolters Kluwer	117.82	98.4%	30,480	33,205	6.2	5.9	20.0	18.9	(5.5)%	30.9%
Workiva	130.49	75.3%	7,165	6,972	15.9	13.1	NM	NA	26.3%	4.6%
High		98.4%	\$62,729	\$73,553	16.4x	13.4x	31.2x	26.6x	40.7%	36.8%
Median		86.0%	21,158	22,262	8.8	8.0	25.4	22.5	6.8%	28.3%
Mean		85.0%	28,927	31,421	10.6	9.2	25.5	22.4	12.7%	22.4%
Low		67.4%	2,551	2,502	6.2	5.9	20.0	18.0	(5.5)%	4.6%

Source: Capital IQ, equity research reports, market data as of 31-Dec-2021

Notes: \$ in millions (except share price), any negative multiples or multiples greater than 55.0x are marked "NM", any negative margin trends are marked "NA"

Public Market Performance

Cybersecurity Index

	Closing Price 31-Dec-21	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2021E Revenue Growth	2021E EBITDA Margin
Cybersecurity										
Fortinet, Inc.	\$359.40	96.7%	\$60,809	\$58,737	17.6x	14.8x	NM	NM	29.2%	28.3%
Mandiant, Inc.	17.54	72.6%	4,650	4,898	10.2	8.6	NM	NM	NM	NM
Okta, Inc.	224.17	76.2%	37,639	37,174	29.1	21.2	NM	NM	55.2%	NM
Palo Alto Networks, Inc.	556.76	97.2%	55,490	56,000	11.6	9.4	49.9	41.2	28.5%	23.3%
Rapid7, Inc.	117.69	81.2%	7,279	7,909	14.9	12.1	NM	NM	30.1%	4.8%
SailPoint Technologies Inc.	48.34	75.3%	4,726	4,726	11.3	9.7	NM	NM	16.9%	2.2%
Telos Corporation	15.42	36.9%	1,082	963	4.0	3.3	52.6	35.6	34.3%	7.6%
Tenable Holdings, Inc.	55.07	94.2%	6,551	6,326	11.8	9.9	NM	NM	22.8%	11.0%
	High	97.2%	\$60,809	\$58,737	29.1x	21.2x	52.6x	41.2x	55.2%	28.3%
	Median	78.7%	22,459	22,541	11.7	9.8	51.2	38.4	29.2%	9.3%
	Mean	83.2%	28,432	28,241	13.8	11.1	51.2	38.4	31.0%	12.9%
	Low	72.6%	4,650	4,726	4.0	3.3	49.9	35.6	16.9%	2.2%

Testing, Inspection, & Certification Index

	Closing Price 31-Dec-21	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2021E Revenue Growth	2021E EBITDA Margin
Testing, Inspection, and Certification										
Bureau Veritas SA	\$33.19	96.3%	\$15,066	\$16,511	2.9x	2.8x	14.2x	13.2x	0.7%	20.5%
Intertek Group plc	76.23	89.3%	12,280	13,280	3.5	3.2	15.4	13.7	0.3%	22.8%
SGS SA	3,342.44	99.1%	25,052	28,137	4.0	3.8	16.9	15.9	8.6%	24.0%
	High	99.1%	\$25,052	\$28,137	4.0x	3.8x	16.9x	15.9x	8.6%	24.0%
	Median	96.3%	15,066	16,511	3.5	3.2	15.4	13.7	0.7%	22.8%
	Mean	94.9%	17,466	19,309	3.5	3.3	15.5	14.3	3.2%	22.4%
	Low	89.3%	12,280	13,280	2.9	2.8	14.2	13.2	0.3%	20.5%

Source: Capital IQ, equity research reports, market data as of 31-Dec-2021


Notes: \$ in millions (except share price), any negative multiples or multiples greater than 55.0x are marked "NM", any negative margin trends are marked "NA"

Featured M&A Activity

Date	Target	Buyer/Investor	EV	Summary
31-Dec-21			\$230M	<ul style="list-style-type: none"> Edgile offers services to help solve complex security challenges across many industries including healthcare, financial services, energy, retail and more
30-Dec-21		 (Apax Partners)	NA	<ul style="list-style-type: none"> Fishtech is a security-as-a-service provider that provides gaps and solutions to help organizations minimize risk, maintain compliance and increase efficiency
21-Dec-21		 (Monarch Alt. Capital, Peloton Equity)	NA	<ul style="list-style-type: none"> IDX is the largest provider of data breach response services and is the leading consumer privacy platform built for the digital age
07-Dec-21			\$736M	<ul style="list-style-type: none"> Acuant is an identity verification, document authentication and fraud prevention technology services provider
30-Nov-21			NA	<ul style="list-style-type: none"> SecureCircle delivers a SaaS-based cybersecurity service that extends Zero Trust security to data on the endpoint
09-Nov-21		 (FTV Capital, True Wind Capital)	NA	<ul style="list-style-type: none"> Compliance Solution Strategies is a developer of regulatory and compliance software designed for the financial industry
14-Oct-21		 (Marlin Equity Partners)	\$21M	<ul style="list-style-type: none"> Pentana Compliance develops regulatory software that protects against regulatory non-compliance, personal fines and damage
29-Sep-21			NA	<ul style="list-style-type: none"> Concanon applies software, professional services, and vertical market knowledge to address critical business problems faced by their customers
28-Sep-21			\$280M	<ul style="list-style-type: none"> ProcessUnity's cloud-based solutions help organizations of all sizes automate their risk and compliance programs
02-Sep-21			NA	<ul style="list-style-type: none"> Metmox offers a fully-featured security and network portfolio in relevance to an organization's specific business and industry needs
12-Aug-21			NA	<ul style="list-style-type: none"> A-LIGN is a technology-enabled security and compliance partner that helps global organizations take a strategic approach to confidently mitigate cybersecurity risks
03-Aug-21			\$1,300M	<ul style="list-style-type: none"> Abrigo provides market-leading compliance, credit risk, and lending solutions to enable its customers to think bigger, allowing them to both manage risk and drive growth

Source: Public filings as of 31-Dec-2021, Capital IQ, Pitchbook

Featured Private Placements

Date	Target	Buyer/Investor	Capital Raised	Summary
07-Dec-21	 hummingbird	 Battery	\$30M	<ul style="list-style-type: none"> Hummingbird is designed to enhance anti-money laundering and counter-terrorist financing investigations
19-Nov-21	 Rimsys	 Bessemer Venture Partners	\$16M	<ul style="list-style-type: none"> Rimsys's software platform is designed to specifically help medtech companies address these challenges, and confidently establish global regulatory compliance
18-Nov-21	 Lacework	 SUTTER HILL VENTURES	\$1,300M	<ul style="list-style-type: none"> Lacework provides end-to-end cloud security automation for AWS, Azure and GCP cloud workloads and containers
10-Nov-21	 aqua	 Capital One Growth Ventures	NA	<ul style="list-style-type: none"> Acqua Security is the largest pure-play cloud native security company, providing customers the freedom to innovate and accelerate their digital transformations
10-Nov-21	 riskconnect.	 TA ASSOCIATES	NA	<ul style="list-style-type: none"> Riskconnect is the operator of a risk management software platform designed to visualize risk and improve decisions with real-time data visualization
02-Nov-21	 LAIKA	 J.P.Morgan	\$35M	<ul style="list-style-type: none"> Laika is a complete compliance platform that automates workflows for audits, infosec monitoring and vendor due diligence in a single, collaborative space
15-Sep-21	 persona	 FOUNDERS FUND	\$150M	<ul style="list-style-type: none"> Persona offers a comprehensive suite of fully-automated identity verification components with worldwide coverage
01-Sep-21	 SAYARI	 CENTANA GROWTH PARTNERS	\$39M	<ul style="list-style-type: none"> Sayari powers cross-border and cross-lingual insight into customers, counterparties and competitors
21-Jul-21	 FLASHPOINT	 Audax Private Equity	NA	<ul style="list-style-type: none"> Flashpoint partners with customers across the private and public sectors to help them rapidly identify threats and mitigate critical security risks
12-Jul-21	 symplr	 Charlesbank	\$150M	<ul style="list-style-type: none"> Symplr enables enterprise customers to efficiently navigate the unique complexities of integrating critical business operations in healthcare
07-Jul-21	 Unit21	 TIGERGLOBAL	\$34M	<ul style="list-style-type: none"> Unit21 helps protect businesses against adversaries through a simple API and dashboard for detecting and managing money laundering, fraud and other sophisticated risks
04-May-21	 JupiterOne	 SAPPHIRE VENTURES	\$30M	<ul style="list-style-type: none"> JupiterOne, Inc. enables customers to manage their entire security process from policy creation, to compliance and certifications, to operating a secure cloud infrastructure

Source: Public filings as of 31-Dec-2021, Capital IQ, Pitchbook

About ClearSight

ClearSight Advisors is an investment banking firm dedicated to driving the Knowledge Economy by providing world-class M&A and capital raising solutions exclusively to growth-oriented Business Services and Technology companies. ClearSight combines deep market insights across software, services and data. ClearSight Advisors, Inc. is a subsidiary of Regions Financial Corporation. All securities are offered exclusively through Regions Securities LLC, a registered broker-dealer and member of FINRA and SIPC. For more information about ClearSight, visit www.clearsightadvisors.com



1650 Tysons Boulevard,
Suite 710
McLean, Virginia 22102

1350 Avenue of the Americas,
Suite 1710
New York, NY 10019

2626 Cole Ave, Suite 700
Dallas, TX 75204



703.672.3100



www.clearsightadvisors.com



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a portfolio company of

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has been recapitalized by

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Sellside Advisor

HURON

has divested its

Life Sciences Business

to

OliverWyman

Sellside Advisor

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has been acquired by

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